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NSC BRIEFING

7 December 1954

SITUATION IN VIETNAM

- I. Viet Minh has greatly increased military strength since takeover in North, but economic base is shaky.
- A. Maintenance of large army (350,000) puts heavy strain on overall economy.
 - B. This year's partial failure of both rice crops in Tonkin--a deficit area to begin with--is most serious problem.
 - C. Calculated that in '55 Viet Minh will need 400,000 tons of rice more than can be grown locally.

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- II. Withdrawal of French and many wealthy Viets from north has thrown employees of these groups out of work and greatly reduced purchases of goods and services; Hanoi prices rising while Viet Minh currency selling for less than official rate.

State Department review completed

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- A. Moreover, Viet Minh foreign exchange holdings and earning power small; strenuous program to restore routes to China probably has commercial as well as military motive.
 - B. Viet Minh also needs technical advice to cope with greater economic tasks following cease-fire.
 - C. Although propaganda assures French that Viet Minh welcomes their assistance, it apparently willing dispense with French help despite immediate hardships.
- III. Emphasis will apparently be placed on technical advice from Orbit countries.
- A. Soviet and Chinese advisory personnel already present; some 70 Poles--presumably technicians--also in Hanoi; Czech and E. German governments planning to send missions.
 - B. Viet Minh has also asked Orbit for diplomatic advisers.
 - C. In addition, many Viet Minh receiving training in USSR and China.
 - D. Viet Minh frankly admits existence of serious economic problems, but tells people to emulate peoples of China and USSR who suffered long before obtaining the "benefits" of "peoples democracy."

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IV. While South enjoys greater prosperity, situation remains unstable because of political disunity, friction within military organization and vagaries of French.

A. Rice and rubber exports, plus French and American spending, are basis of relative prosperity in South Vietnam.

B. Although obstreperous Hinh has been fired, recent local armed clashes between various factions foreshadow continuing disunity.

1. Army arrested leader of Cao Dai group which attacked army post; violently pro-Diem elements in army reported to have seized control of garrison northeast of Saigon; flight between Hoa Hao and Cao Dai units

V. Meanwhile, French still not reconciled to consolidation of bona fide nationalist government under Diem and consequent expansion of US, diminution French influence.

A. They now threatening to withdraw troops from Vietnam unless Diem government expelled or "reorganized."

B. French official told Ambassador Dillon in Paris that unless "strong and stable" government set up by 15 January, French must pull out.

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- C. Said decision had to be made by then in order to evacuate 300-400,000 civilians, in addition to troops, well in advance of scheduled elections.
- D. Civilian evacuees include French families and those Vietnamese compromised by pro-French attitude or who want to be evacuated.
- E. French threats to drop South Vietnam situation in US lap will probably become increasingly frequent.